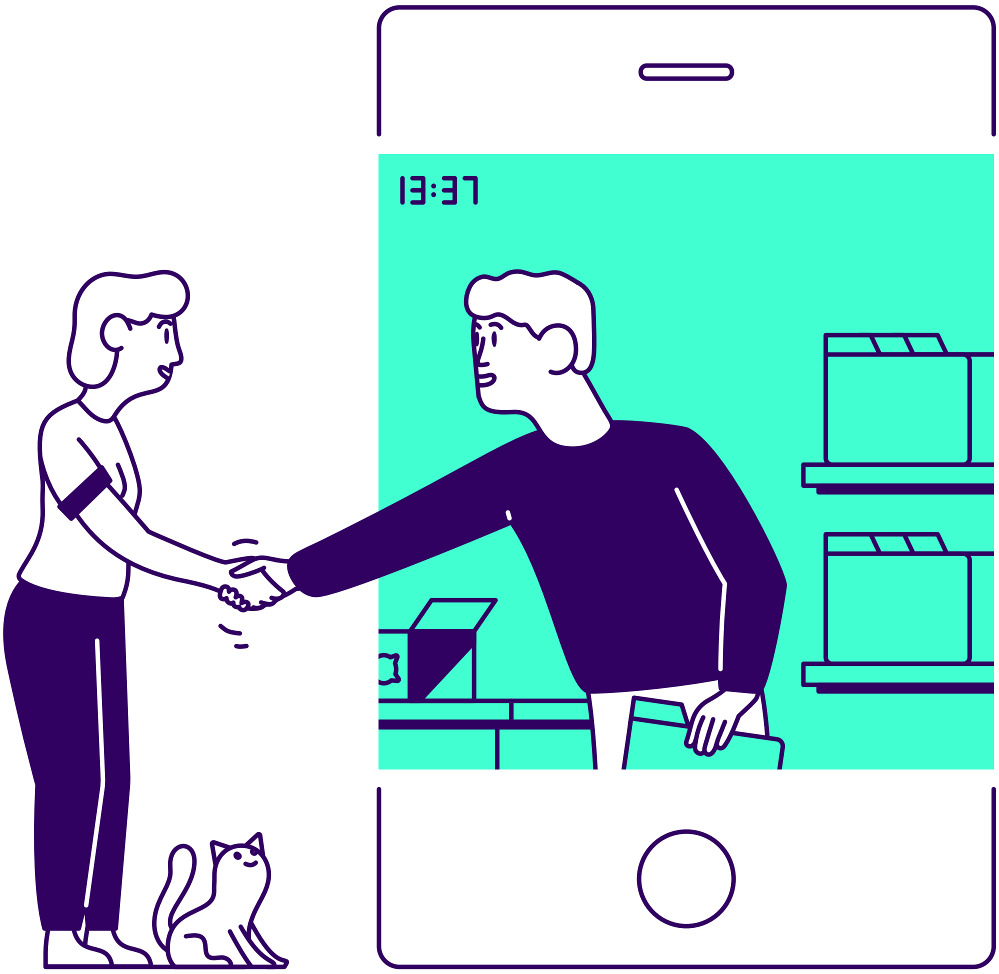
The Battle to Onboard 2020:

The impact of COVID-19 and beyond



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Foreword

Today's reality demands simple digital account opening

Sarah Kocianski, Head of Research, 11:FS

This year we have all been forced to start doing everyday tasks differently. For many that has meant managing the entirety of their financial lives using remote channels for the first time, and large numbers turning to digital services as call centres are overwhelmed and branches shut.

But financial service providers' offerings have been found lacking. Before the pandemic they were not keeping up with user expectations, but as digital became customers' only option and emotions regarding money run high as recessions bite, products and services are failing increasingly often to give customers what they need.

Onboarding is one of the most crucial areas where providers are failing, because if customers can't or won't open new accounts, these organisations will struggle even more to cope with economic turmoil. And it's not just the pandemic that providers have to get their heads around, other, pre-pandemic factors which have not been addressed are exacerbating potential customers' failure to complete onboarding.

One such factor is that every generation has greater expectations of digital than the last, and those who have most recently reached adulthood are no exception. They have been raised in an always-on, instant world where the very idea of picking up the phone to speak to someone is strange. Some will expect the opening of a bank account to be as simple as opening a social media account, and be put off when it takes longer and requires greater amounts of personal information and documentation.

Additionally, many consumers have more financial accounts than ever as more providers launch. That means they have greater choice over who they give their business to and so will look elsewhere if a provider cannot give them the experience they expect. It also means that an applicant might not actually need the account in question, and if getting one is too difficult they will simply give up.

In short, providers should prioritise ensuring customers can apply, open, and start using accounts quickly and digitally if they want to compete in today's environment.

We need to get onboarding right—it's just the start for digital identity

John Devlin, Founder, P.A.ID Strategies

Simplicity is the key in 2020. With so much uncertainty and disruption affecting personal and professional lives, people want quick, easy and reliable; the service providers that deliver this are the ones that will thrive, becoming the de-fault “go-to” choice for consumers – and the word will spread.

We now live in a world where people are increasingly likely to ask for the most basic information on social media, such as when the shops are open or restaurant recommendations, rather than try to look it up and make a decision for themselves. People are simply less likely to accept and tolerate a poor customer experience – and unlike before, they are now voting with their feet. This year’s Battle to Onboard report clearly show this, particularly amongst the younger generations who are used to having a steady flow of digital information on tap.

Increasingly consumers will simply abandon processes that are seen as too challenging, problematic or intrusive. Older generations are more used to less user-centric processes and “learned helplessness” but are becoming aware that there are simpler, quicker and less cumbersome options out there for them – they too want to take advantage of the benefits of digital identity and onboarding.

The impact of Covid-19 on the financial industry goes beyond this though. A truly digital experience, from verifying identity for account opening through to authenticating a user’s identity to access services and beyond, is now a business continuity necessity for both banks and their customers. The biggest increase in usage of mobile banking and payments this year has been amongst older users and Covid-19 has been the catalyst. This further increases the importance of a well-implemented on-boarding process, else banks risk increased abandonment from first-time users who are less familiar with digital channels and tools.

At P.A.ID Strategies we see onboarding as simply the first use case for digital identity in financial services as it meets the immediate need of Anti-Money Laundering and Know Your Customer regulations. With PSD2 connecting together more services and increasingly driving interactions between them, the ability to offer/use services that are trusted by all parties (i.e. banks, consumers and approved third party service partners) increases.

We believe that the well-implemented use of digital identity to meet the Strong Customer Authentication component of this directive will be the key to unlocking future growth for banks as trusted identity service providers.

Introduction

For the past five years, Signicat has published its regular Battle to Onboard report to provide insight into the experiences and expectations of European consumers when onboarding to a financial service.

The Battle to Onboard addresses the fundamental question of what consumers think about digital onboarding—are they happy with current application processes, or is friction leading to lost business from applications that are abandoned part way through?

The question has remained the same, but the context has changed

Doing business online means there must be trust between businesses and their customers. Fraud is increasingly sophisticated, and providers have heavy regulatory demands on them when performing KYC checks. Onboarding is critical as the beginning of a customer relationship based on mutual trust. But at a time where onboarding should be getting better, we're moving backwards.

In our first report, we reflected on the challenges facing traditional financial service providers in the UK as they transformed their operations and strategies for the digital world—in particular how they struggled to onboard consumers in line with tightening Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations.

We extended the scope in 2018 to include Germany, Finland, Sweden and Norway, exploring the impact that open banking and the Revised Payment Services Directive (PSD2) was having on market competition and consumer expectation.

In 2019, we revealed the “Red Queen” effect that was now gripping the industry—an effect seen in evolution and arms races, where no matter how fast someone moves, they stay in the same place.

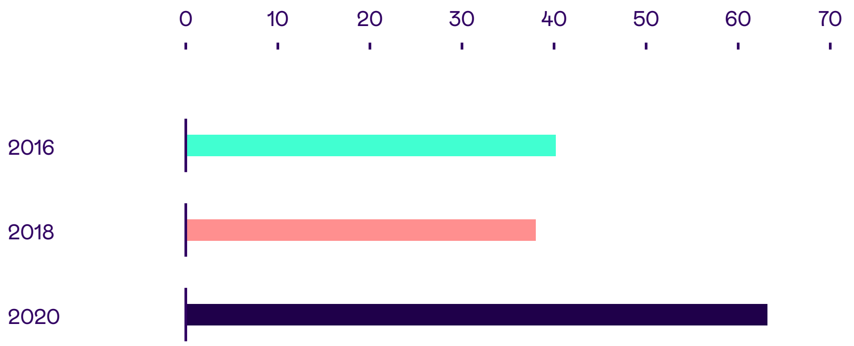
Even as European providers and challengers raced to improve the onboarding experience, digital identity, and two-factor authentication, heightened consumer expectations meant that providers were essentially staying still. The reports have often made for uncomfortable reading for traditional financial service providers. Customers have been unhappy with the difficulty and duration of onboarding processes from the start, and as their expectations for speed and simplicity rise, their onboarding experiences fail to keep pace.

Where are we today?

Despite best intentions from traditional providers and heavy investments in digital transformation strategies, abandonment rates continue to increase.

In 2016, we found that 40% of consumers had abandoned digital bank applications. This had reached 38% in 2019 and in 2020 is now at 63%- -An increase of 23 percentage points in abandonment rates since the first Battle to Onboard report was published. Almost two in three people who begin an application do not complete it. So all the effort and expense spent on marketing and other activities to attract potential customers has gone to waste.

2020 brought a sharp increase in abandonment



What has changed in 2020?

It's impossible to ignore the effect of COVID-19, both immediate and ongoing. The survey that forms the basis of this year's report took place in May and June 2020—for some the height of the global pandemic. As such, while it reflects experiences over the past 12 months, it is inevitably through the lens of home working and lockdown.

As such, while it reflects experiences over the past 12 months, it is inevitably through the lens of home working and lockdown. All of this has come at a crucial inflection point for financial service providers, as circumstances force more consumers online, accelerate branch closures, and cause banks to reassess whether their digital transformation has taken them far enough—especially when it comes to digital onboarding.

Facing up to the future

COVID-19 also means there is more pressure on consumers to make their finances work harder, increasing the potential for closer engagement with their financial service provider. But it also means more time and opportunity to shop around online. Today's challengers are destroying long-term loyalties, and replacing them with short-term gains, promotions, referral offers and the promise of convenience.

Few traditional banks are able to offer totally in-app onboarding, and even for those with a high digital investment there often is still a requirement to visit a website, call an account handler, or show a physical ID in a branch.

And our research has revealed a new challenge: changing demographics and the expectations of mobile natives. The media obsession with the demands of millennials was, it seems, premature, with this group not too different in mindset to the generation before.

Gen Z, now the frontline of customer acquisition, are the generation traditional providers should have been worried about—they are not prepared to compromise, demand choice without complexity, and simplicity without loss of security. 100% digital onboarding for these new customers is now a must.

Executive Summary

B2OB 2020: Consumers and COVID-19 are challenging complacency

Last year's Battle to Onboard report revealed that in the face of competition, traditional financial service providers were stepping up to the market with more responsive digital services, and smoother verification processes including electronic identity schemes (eIDs). While it wasn't fast enough to meet consumers' expectations, there were some positive takeaways—financial service providers were at least moving in the same direction as their potential customers. Yet the indications in this year's report show that there is not just a long way to go—the gap between customer and provider is widening. Too many consumers are still disappointed in the onboarding experience.

The 'first mile' of digital sales—capturing and converting the customer—is likely stifling many providers' ability to grow, irrespective of how seamless the rest of their digital service is. Facing poor onboarding and myriad easy choices, consumers are refusing to simply accept bad experiences. They are now shopping around, prepared to abandon applications if they are too timeconsuming or cumbersome.

The result? Application abandonment is now higher than ever, reaching as high as 70% in some countries.

Is 2020 the end of learned helplessness?

Learned helplessness is a phenomenon discovered in 1967 by US psychologist Martin Seligman.

Through some fairly unpleasantsounding experiments, he discovered that once animals or humans find themselves in a negative situation for any length of time, they believe that they are unable to change this situation. Even if better choices or opportunities for change become available, these are ignored.

What does this have to do with onboarding?

Technology has revolutionised so many industries, but the same time there are many hold out—businesses resisting digital transformation, consumers preferring old ways of doing things. This is often explained away as a natural resistance to change, but if people have lacked choice for a long time, learned helplessness can set in. Challengers and disruptors in many industries can face frustration as incumbents keep their loyal customers—despite the incumbents offering a substandard service.

Consumers have been faced with long and complex onboarding processes for so long that they tolerate it, even as better alternatives become available. Many consumers assumed that a poor experience was the best they could hope for.

But that is now changing—especially within younger demographics. It's clear from our survey that today's consumers are no longer prepared to put up with lengthy and difficult onboarding. The learned helplessness that kept abandonment low can no longer be relied upon.

Consumer have stopped accepting poor experiences and are breaking free.

When faced with onboarding friction consumers are walking away in staggering numbers.

- Over a quarter considered their last application process for a financial product to be difficult.
- 63% have abandoned an application in the past 12 months (one in five of these due to lengthy processes).
- A third (32%) are refusing to even start an application if they are required to take ID credentials to a branch.

The cost of failed customer acquisition

Onboarding is the last mile where a prospect is converted into a customer. To get to the point of onboarding, financial institutions invest a great deal of money on advertising, marketing, UX and various other tactics to gently nudge the prospect along the sales funnel.

Given that the onboarding experience is critical in either converting that customer or driving abandonment we wanted to understand the financial impact for institutions. To achieve this, we worked with P.A. ID Strategies, an analyst house that specialises in identity.

We wanted to understand how much money providers, in particular banks, are spending to acquire customers that is wasted due to the high industry abandonment rate.

Our conservative estimate is that banks across Europe waste 5.47bn on customer acquisition thanks to poor onboarding.

It is commonly said of advertising that half of it is wasted, but brands have no idea what half, so nothing can be done. Unfortunately, here advertisers, marketers, product managers, UX designers and more can see clearly where their efforts are going to waste thanks to poor onboarding.

Younger consumers are biting back

A key trend identified in this year's survey is the growing expectation gap between demographics. While other groups are still putting up with inadequate onboarding experiences, Gen Z (18-24-year olds) have no tolerance for anything other than fast digital onboarding.

This is vital for providers' ongoing acquisition of customers. Gen Z represent 30% of the world's population and will make up a third of all global consumers by the end of the next decade.

Gen Z represent

30%

Reasons for abandoning

Over a third of these younger consumers feel the onboarding process is longer than they expected (36%). And, more than any other age group, they are abandoning applications due to lengthy processes (24%). They are also among the top to be deterred by too many detailed requirements (22%), and most likely to simply change their minds (24%). They may be difficult to please, but catering to their needs is a must for providers to sustain growth.

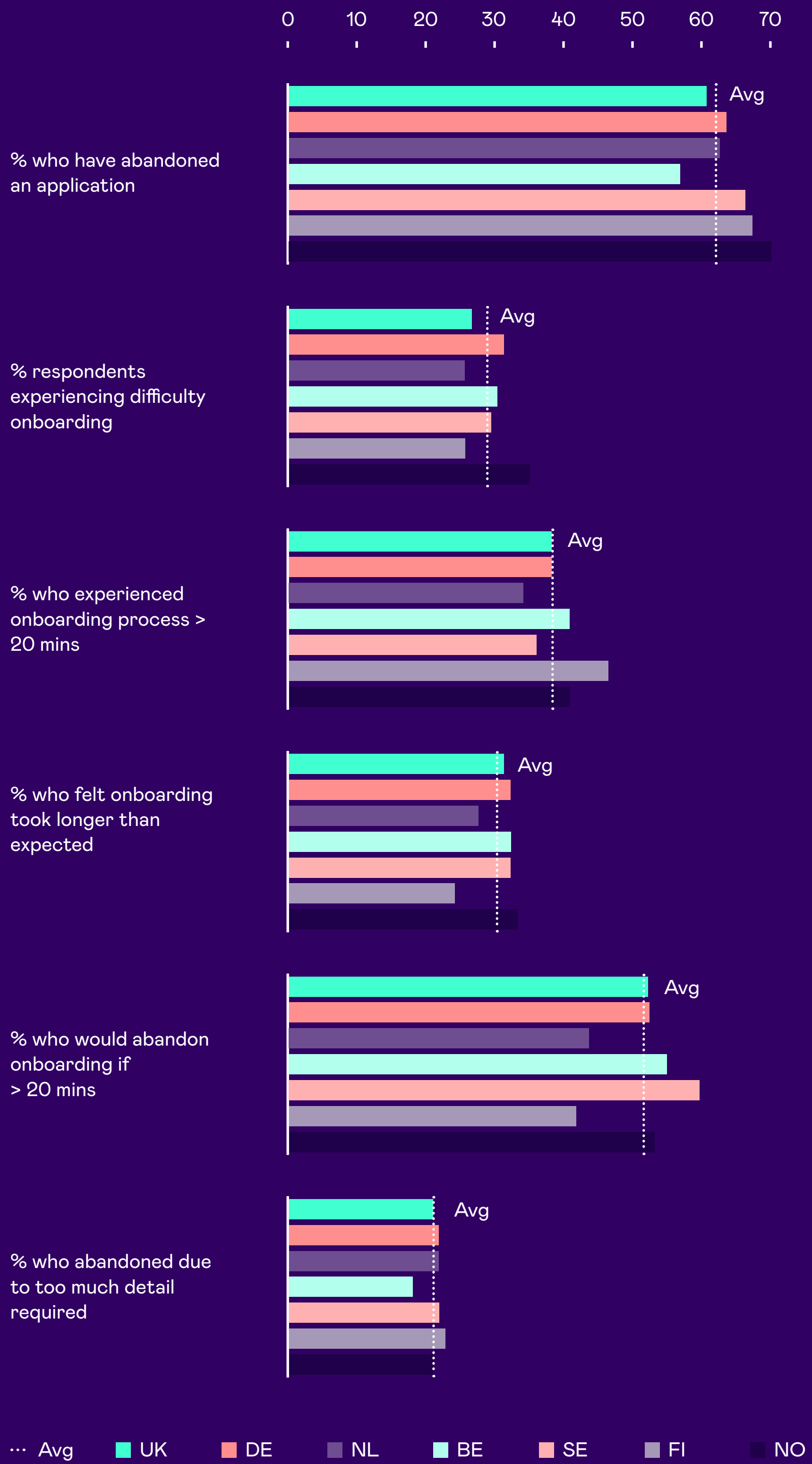
COVID-19 has shocked a complacent market

Even before COVID-19, the retail banking sector was experiencing dramatic shifts. Branch usage was declining steadily, and customers were increasingly using digital channels to manage their finances. COVID-19 has only served to accelerate this.

During the pandemic, 41% of consumers have been unable to access financial services due to a lack of digital availability.

However, two thirds see change as inevitable and expect 100% digital onboarding to be introduced as a result of COVID-19's movement restrictions. It's evident that for financial service providers in a post-COVID world, it's a case of 'do digital onboarding well' —or die.

The State of Onboarding in Europe



Country Snapshots

United Kingdom

Regulations for onboarding in the UK are less strict than in countries such as Germany. In addition, there are now 15 digital banks and fintechs in the UK all offering digital onboarding. This could explain why it has below average abandonment rates (60%) and also lower level of difficulty onboarding (24%).

That said, speed seems to be an issue, with over a third of respondents have experienced onboarding times of over 20 mins and more than half said they would ditch an application if they knew it would take that long. The lack of a national eID scheme may mean expectations of onboarding are simply lower in the UK.

Germany

Digital onboarding is established in Germany's direct, private and challenger banks. But major and smaller providers are lagging behind.

This explains why users still experience slightly higher than average difficulty (29%) and longer onboarding times than expected (30%)—possibly due to being more privacy-aware--which means they are marginally more likely to abandon an application (63%) than the UK or the Netherlands.

Netherlands

Dutch providers offer simple onboarding, with the lowest number of users experiencing difficulty (23%) and least lengthy processes. This likely accounts for its below average abandonment rate (62%). The Dutch are among the least likely to ditch an application after 20 mins (42%) but almost one in five are turned off by being asked for too many details.

Belgium

Belgium's national identity scheme, itsme, makes authentication and onboarding faster. This is reflected in the country having the lowest abandonment rate (56%) and, therefore, the highest conversion rate.

What is surprising is that Belgian respondents experience above average difficulty (28%) and longer processes but this could be due to shifts in consumer expectations. There is relatively low friction around the level of detail required for applications but Belgians are among the most likely to walk away if they know the application will take longer than 20 mins (54%).

Sweden

eID is the de facto in Sweden with its national digital identity scheme now used by the majority of banks and also for government applications. Swedes are therefore used to speed. Consequently, they are the most impatient applicants with 59% prepared to abandon the process if it takes longer than 20 mins. Swedes are less likely to encounter lengthy onboarding (34%) than counterparts in Finland (45%) and also experience much less difficulty (27%) than the Norwegians (33%).

Finland

Finland's established eID scheme was replaced in 2019 with one compatible with EU regulation. The Finns are among those that experience the least difficulty (23%) yet have the longest onboarding processes with a whopping 45% saying applications had taken more than 20 mins.

It seems remarkable that they also have the lowest expectation for speed (22%) and are least likely to abandon an application due to it being above 20 mins (40%). However, they are less likely to put up with over-complex forms with a fifth of respondents dropping off if too much detail is required on their applications

Norway

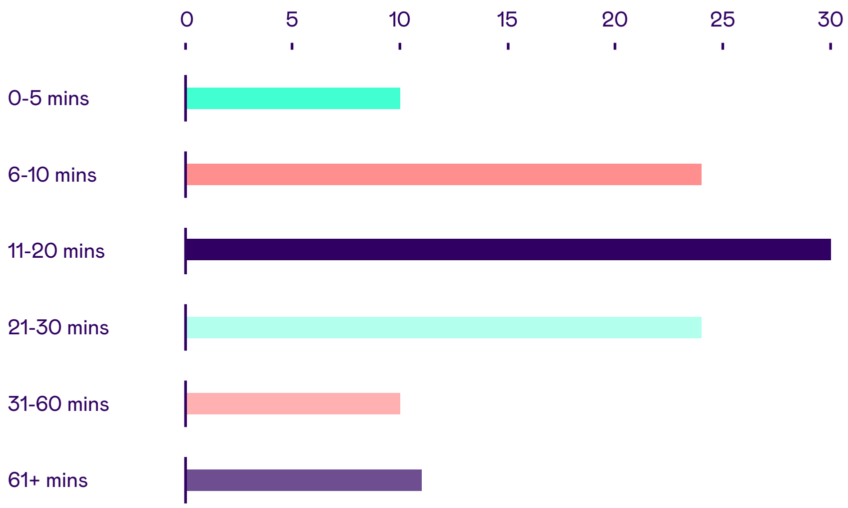
Norway has a widely adopted federated eID scheme, BankID. Norwegians are the most sensitive to friction with seven in ten having abandoned a financial product application (70%).

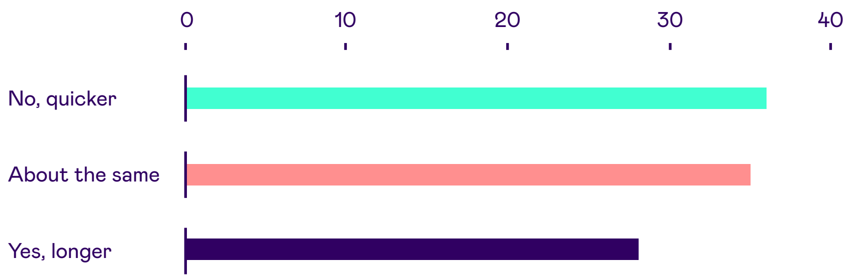
Its respondents also experience the most difficulty onboarding (33%) although this could be due to a recalibration of expectation in a highly digitalised market consumers with the best experience expect more Unsurprisingly, they're also the most likely to feel that the process takes longer than expected (31%).

Is the Industry Regressing?

Despite lots of noise around the increasing levels of digital investment, focus on customer experience and the widespread adoption of federated eID schemes (as we're seeing in the Nordics), there is still no overall indication that onboarding is improving for traditional banks. Their bite is failing to live up to their marketing bark.

How long did the process take?



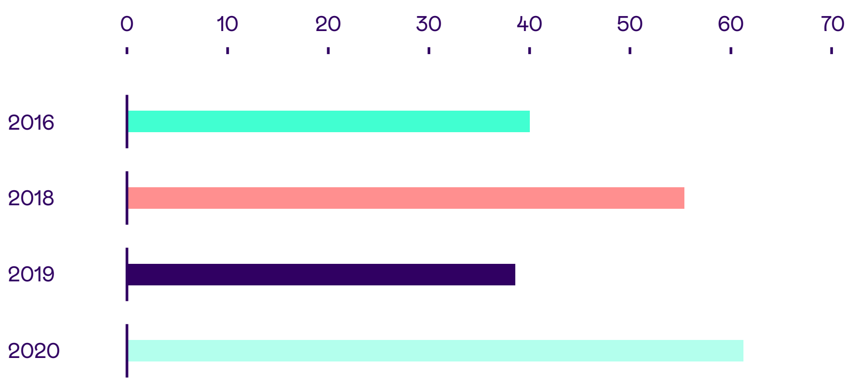


Progress has remained static on many fronts.

In 2019, just under a quarter of people rated their last application for a financial product somewhere between difficult and painful. This is now just over a quarter. Opinion is again split on how long applications take, with around a third saying it takes longer than expected, a third for saying it is quicker, and a third thinking it is as they expect.

Why did you abandon digital onboarding?

Have you ever abandoned an application for a financial product?



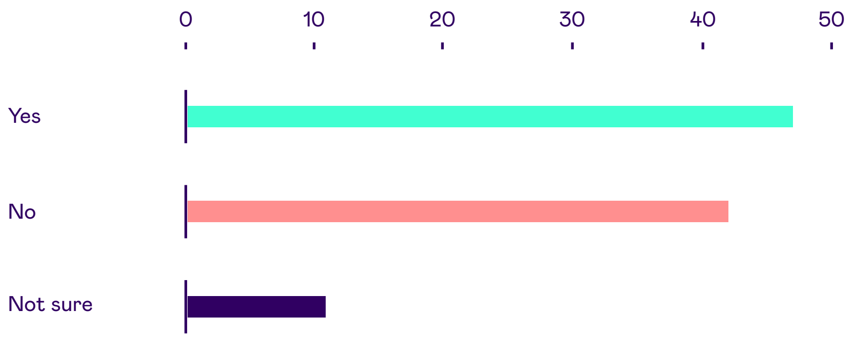
Providers losing ground on conversion.

In 2019, 38% had abandoned an application for a financial product. This is now up to 63%. 19% of those said it was because the application was taking too long. Consumer patience is wearing very thin. Almost every aspect on onboarding has slipped from 2019, and those that have not slipped have remained static.

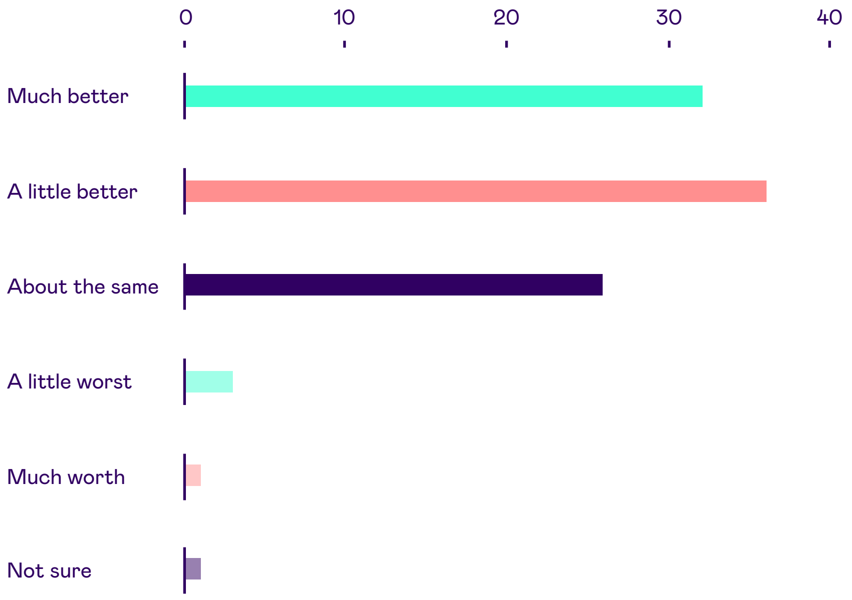
Consumers are not shifting in what they think, but in what they do.

This is worrying for financial service providers—if they are listening to potential customers, they will think nothing has changed. But it is clear from our report that abandonment has increased dramatically. Friction is eating into acquisition as customers become less reluctant to put up with processes that take up their time and energy.

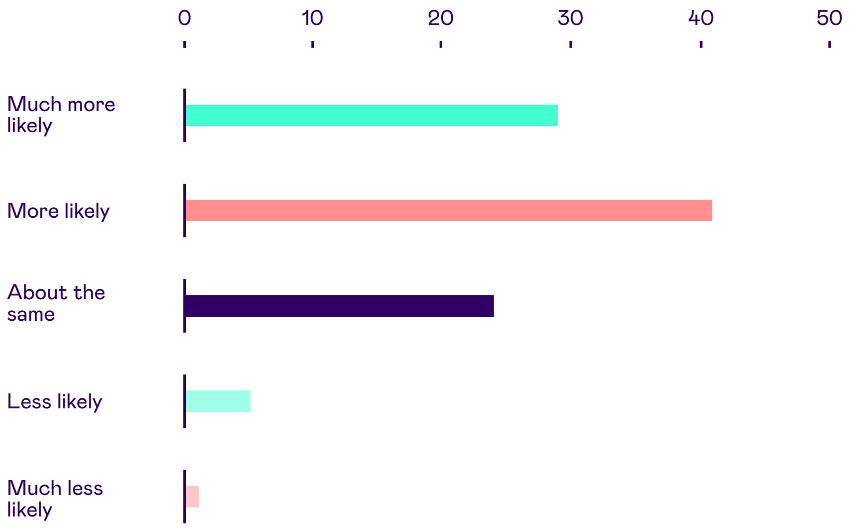
Do you use a mobile-first financial service or "fintech" product?



How did the experience of signing up for this service compare to more traditional financial services?



Are you likely to use a new digital bank over a more traditional bank for day-to-day financial services because you believe they are more convenient?



Challengers are the trendsetters.

The shift from learned helplessness to active change is connected to the increased use, particularly by Gen Z and millennials, of digital brands. One in two consumers now using a mobile-first financial service, up from 30% in 2019 to 47% in 2020. Despite the rise, satisfaction remains constant in this sector with the onboarding of these services near-identical to last year - 69% are happier and only 4% are unhappier with their new provider.

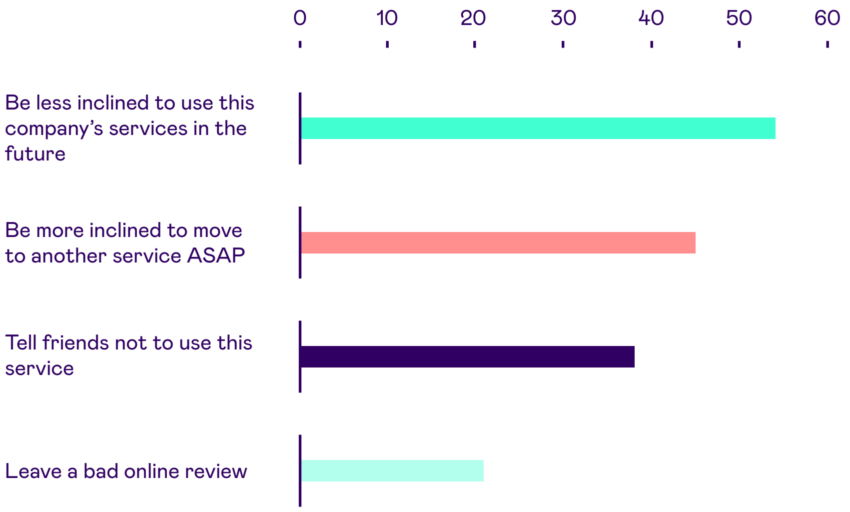
A common market assumption of digital-first providers is that they will remain a “second choice” for consumers who are unwilling to put their trust in these new upstarts. However, our survey reveals that 70% of those with a new digital-first account say that its convenience means they are more likely to use it every day. Digital-first banks are rapidly becoming first choice for consumers.

The consequences for providers are grim.

Not only does a poor onboarding experience lead to abandonment and create a gap for the competition, it also has other repercussions that hinder growth—especially the negative impact on repeat business, reviews and referrals.

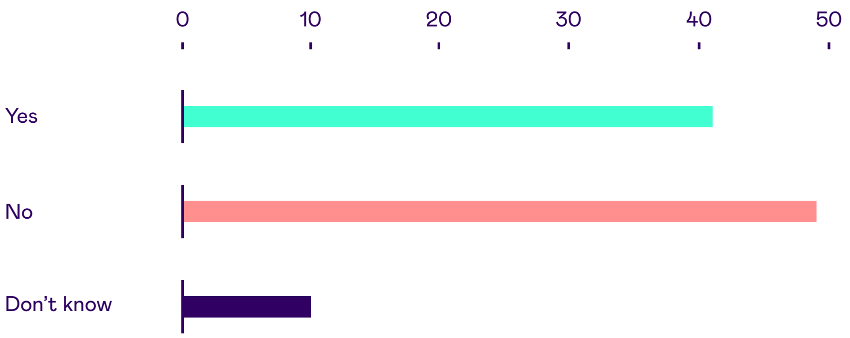
When faced with a bad onboarding experience, more than half of respondents are less inclined to use that provider in the future. Not only that, a third warns friends to stay away.

How would you deal with a poor application process?

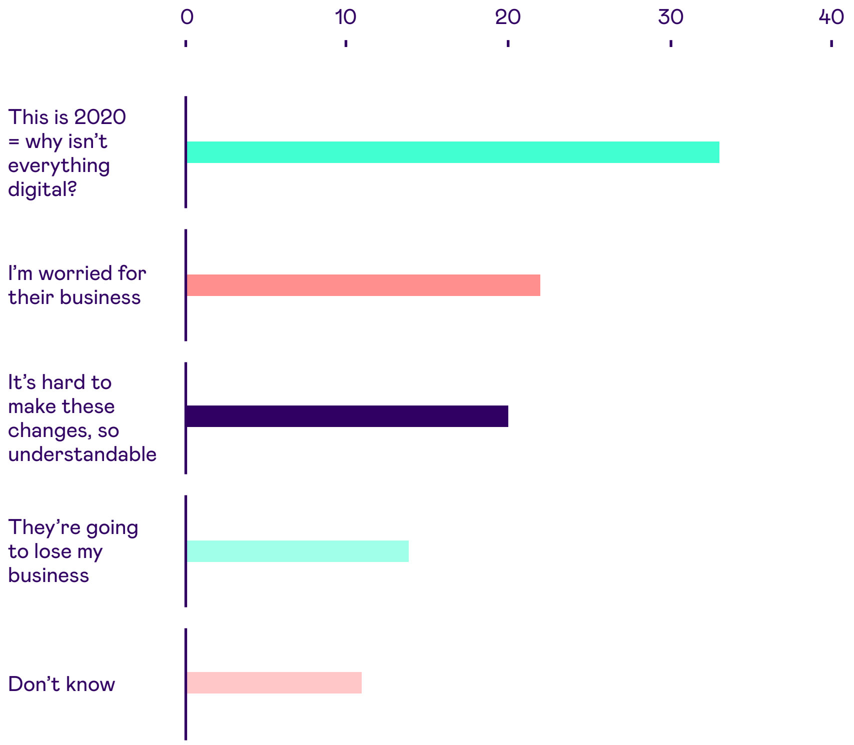


Has COVID-19 Changed Onboarding Expectations?

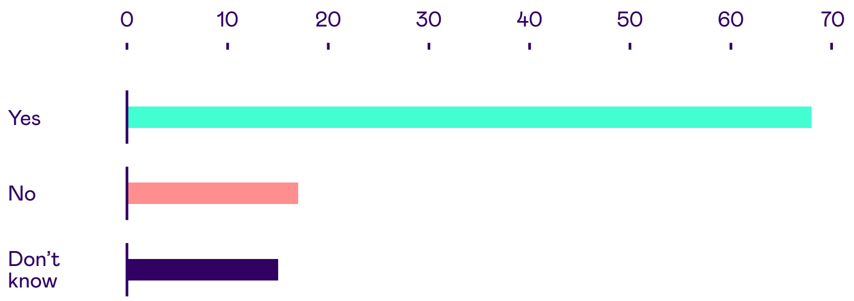
Have you found yourself unable to access essential financial services as they are either inaccessible or unavailable digitally?



In the context of the COVID-19 crisis, what do you think of financial service providers that don't allow you to onboard to a service 100% digitally and remotely?



COVID-19 has put restrictions on movement. Do you expect financial service providers to make onboarding to a service 100% digital an able to work remotely?



Coinciding with the initial peak of the pandemic, the survey gives us unique insight into the impact of COVID-19 on access to financial services, and how both providers and consumers coped with the inability to offer inperson service. Unfortunately, a significant number of consumers, 41%, found that they were unable to access financial services due to inaccessibility and a lack of digital channels.

When asked what they think of financial service providers that don't allow remote digital onboarding without the need to visit a branch, only 20% understand this limitation, while a third can't see why fully digital onboarding isn't possible in 2020.

It's obvious that one of the effects of the pandemic has been to bring this capability gap into sharp focus, turning a desire for digital services into a desperate need. Indeed, the overwhelming majority see 100% digital access to services as important right now with only 14% disagreeing.

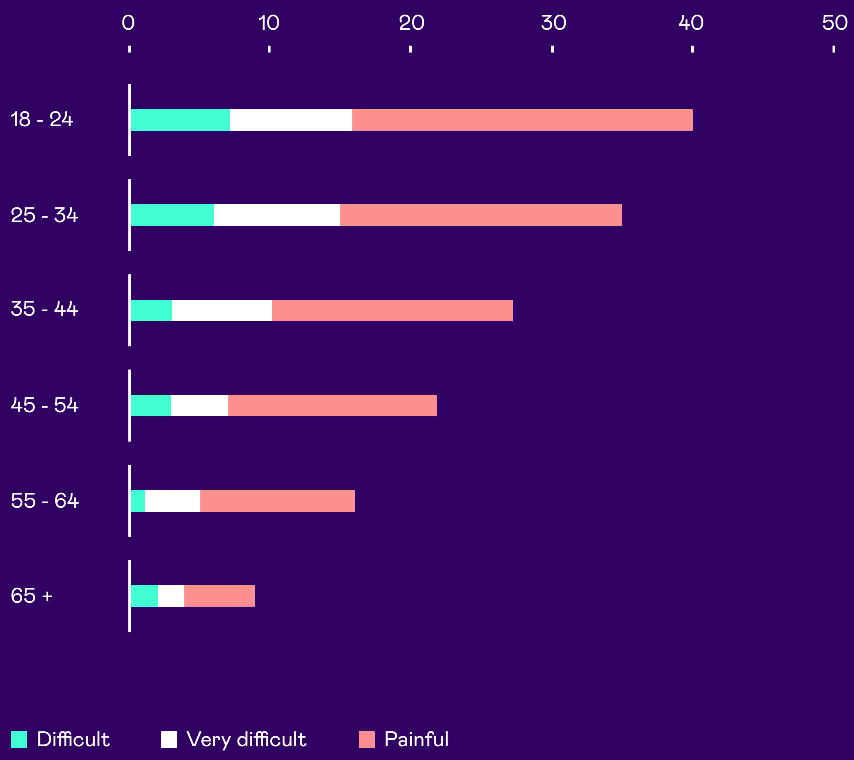
Like working from home and other forms of digital transformation, the shift has been from "why?" to "why not?" As shown earlier, 70% of those surveyed have an account with a mobile-first financial service provider such as a challenger bank, and 69% of those consider it to be better than more traditional services.

It makes sense that those dissatisfied with their experience under lockdown are more likely than ever to move to a mobile-first account—and those on the fence may see this as a tipping point for change. With most consumers using a mobile service and enjoying the experience, traditional providers are more at risk than ever from consumers switching their dayto-day finances to challengers.

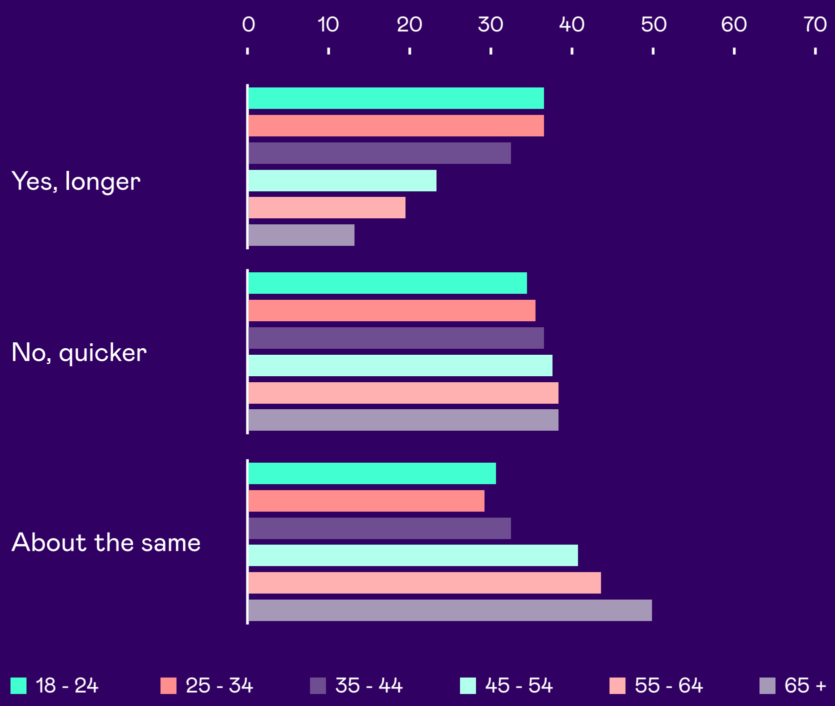
Shifting Generations and the Influence of Gen Z

In this report, more than any other Battle to Onboard, we see marked differences in how different age groups respond to questions.

Thinking about your last completed application for a financial product, how easy did you find the application process?



Did the process take longer than expected?



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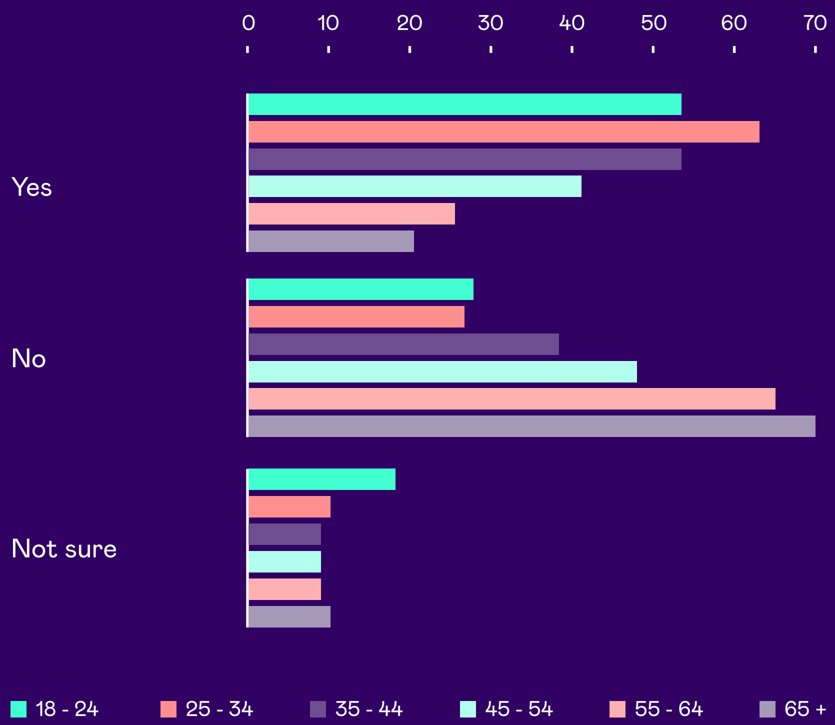
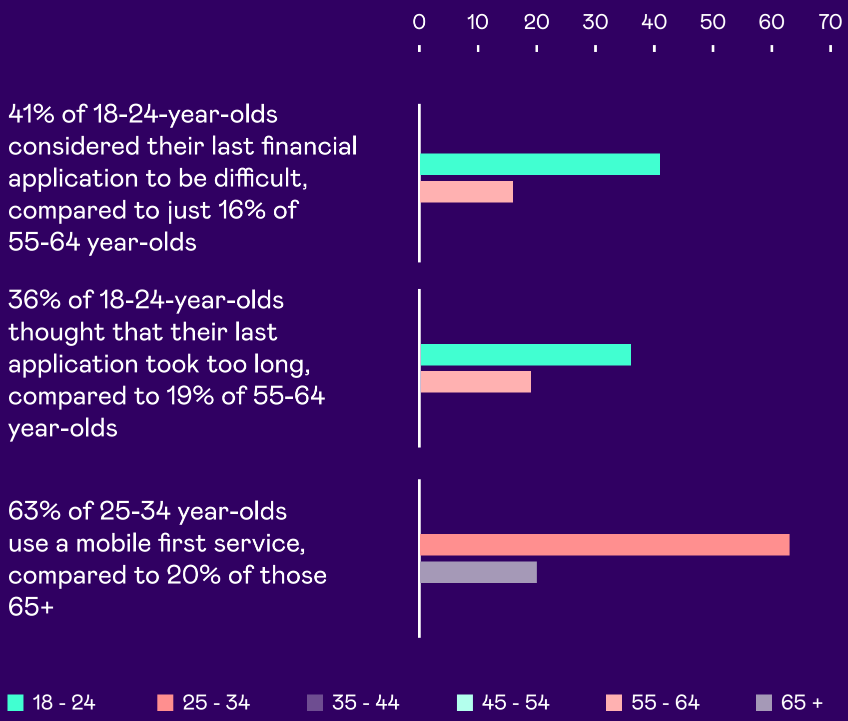




What was once a mild effect is now much more amplified. Traditional banks in particular have worried about "digital natives" before, but now that Gen Z is economically active, they have a greater effect on customer acquisition than millennials ever did. Indeed, the discourse around millennials may have given them a false sense of security.

It's the generation that follows millennials the banks really have to worry about.

Gen Z represent an entirely new breed of financial services consumer. Born into a digital world, they have never experienced life without smartphones, social media or real-time 24/7 access to information and transactions. Technative and now-orientated, they are skeptical of marketing and cautious of global institutions.

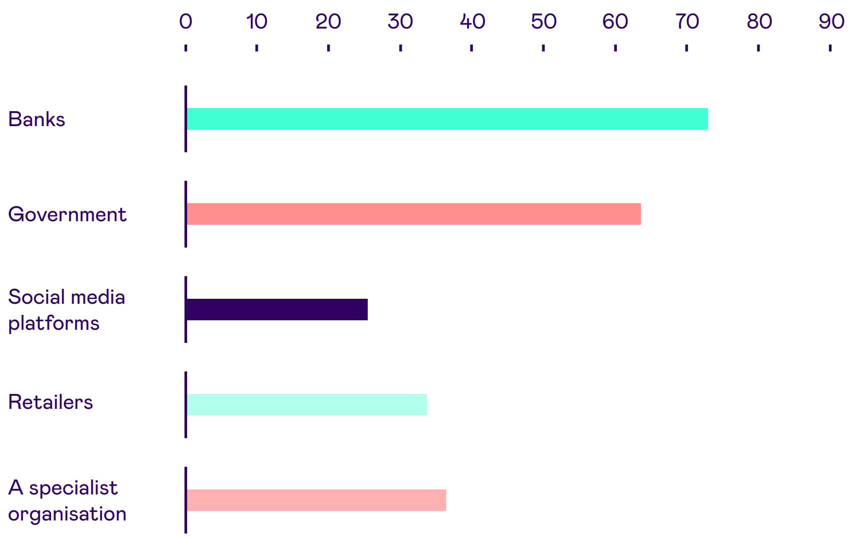
Although less face-to-face-orientated than other generations, they nonetheless seek highly-interactive, superpersonalised experiences. Similar things were said of millennials, but it was only partly true. Gen Z is the real deal.

Gen Z brings a new expectation dynamic. To meet their needs, onboarding, particularly mobile onboarding, will have to evolve fast. And there's no question that providers will continue to be challenged by future generations of customers.

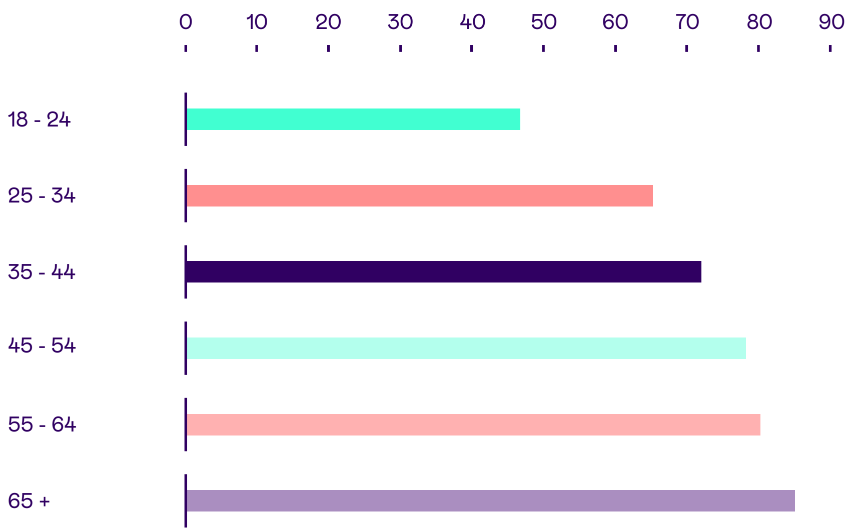
Gen Z will be followed by Gen Alpha who will belong to a world of 5G, AI, machine learning and IoT. Constant innovation will be a prerequisite to survival in the evolving financial services ecosystem.

Trust in Banks Remains High. But is it Enough?

As in previous Battle to Onboard reports, banks still enjoy high levels of trust despite delivering a poorer onboarding experience. In some respects, the longer application processes may even help bolster trust i.e. “the harder it takes to open, the harder it must be for fraudsters to get in.”



More by age



Financial service providers remain the benchmark for trust. Almost three in every five consumers across Europe use their bank login for other services if they're able to do so, and three quarters would trust using a bank identity to log in into other services. This is more than any other provider capable of providing digital identities, including governments, and specialist providers. In fact, banks enjoy more trust than retailers and social media platforms combined.

The fact that banks are enjoying risinglevels of trust despite the ease ofonboarding being increasingly bleak shouldn't be taken for granted. Among Gen Z trust remains considerably lower (47%) than with 45-57 year olds (75%) and is almost half of those aged 65+ (86%). With future battles likely to centre around younger audiences, the question is whether consumers will trust financial service providers with their data as much as with their cash.

More than a fifth of Gen Z (22%) and millennials (21%) are likely to abandon onboarding if they are asked for too much detail, double that of over 65s (10%).

Despite their reputation as being happy to give up personal data easily in exchange for access, Gen Z may be savvier than their predecessors when it comes to data. The opportunity for banks to be the provider of identity services where they are not yet established may be starting to close.

The Cost of Poor Onboarding

It's unrealistic to expect every customer who starts an application to complete it. After all, people get bored, distracted, or even change their mind. But every potential customer that starts to apply for a new account will have gone through a process to get there, and this process costs money.

The cost to acquire customers is a hot button issue for many banks, especially challenger banks that are relying on investor capital until they can turn a profit. Pressure is on these challengers to show that they are making the best use of their investors' cash, and also to show that their digital presence is enough to attract customers over the long term. For fintechs especially, the cost of customer acquisition is likely to be their biggest cost, dwarfing even the cost of building technology and employee costs.

Why is it so expensive? It's because there's so much to it. There's the cost of brand awareness through marketing and advertising, which is extensive, especially for a brand that is starting for zero. There is also the creation of material to convince potential applicants to apply, such as in leaflets, email marketing, or on the website.

Alongside these sales and marketing costs, there is also the costs to create products that are compelling and a user experience that inspires confidence. While some banks, for example Monzo, report a cost of acquisition figure, it's quite a nebulous term and difficult to pin down.

However, with the help of an experienced and knowledgeable analyst—in this case John Devlin from P.A.ID Strategies—we can then estimate how much money financial services providers are wasting thanks to poor onboarding.

Based on the cost of advertising, sponsorship and promotion/campaigns, personnel wages and additional overheads, customer support and card issuance we estimate that the cost to onboard a new customer is in the region of 204-293 EUR for a traditional bank running predominantly manual processes and identity checks. This breaks down into 16-22 EUR for card production and issuance, 99-138 EUR for personnel costs and additional related costs, marketing, admin, support and overheads of 88-132 EUR.

For digital banks creating a better used experience, automated on-boarding solution with digital identity checks removes most of these costs and we estimate these costs to be 55-72 EUR per new customer. This is made up again of card production and issuance (16-22 EUR), use of the platform per user (5,5-11EUR) and additional overheads (33-39 EUR).

Based upon banked/unbanked, population and adult demographics, multiple account holding, shared accounts, cards in circulation and cards per capita, it was calculated that there are between 688-693 million current accounts held/open in Europe.

Taking growth rates and churn into consideration, it is estimated that 120m new accounts will be opened this year. We estimate digital banks to have a share of 12.5% of new accounts opened in Europe. Therefore, the total cost of acquisition (using the mid-point in the range for each category of bank) is: That's a combined cost of 27 billion Euros that banks spend annually on acquiring customers every year, based on some pretty conservative assumptions.

If we take this figure and apply the number from our research—67% of people have abandoned an application—then that means we have an initial estimate of 18.13 billion Euros being wasted every year, getting customers to the start of the application process only for it to fail.

However, we should take care around this figure. 67% of people have abandoned applications, which is not the same as 67% of applications being abandoned. It also doesn't take into account applications being abandoned and completed later, and people who have abandoned several applications before completing one.

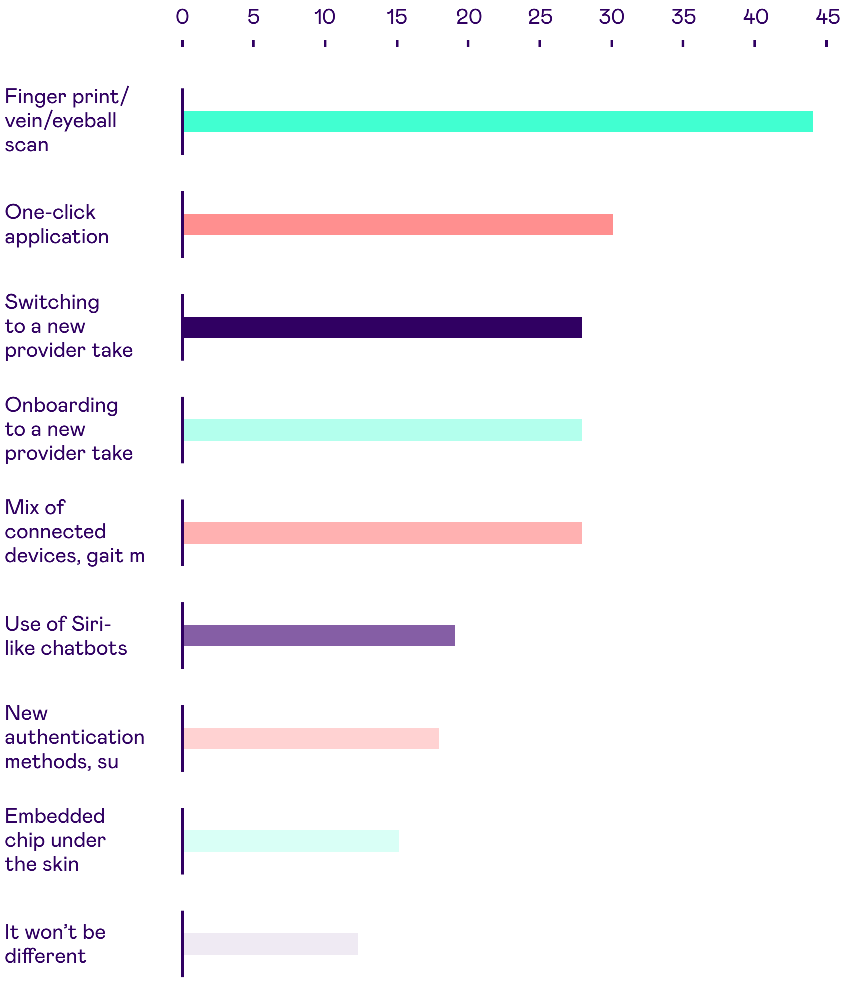
As such, based on the analysis from P.A.ID Strategies it estimates that at least a third of that 18.13 billion Euros is wasted.

Banks across Europe therefore waste approx. 6 billion Euros on customer acquisition that fails at the final step. Thanks to a poor onboarding experience, all of this expense is for nothing as the potential customer gets frustrated and abandons their application.

The Future of Onboarding and Digital Identity

Reducing onboarding and authorization time and providing a fresh digital experience has led to some interesting suggestions on what the future of identity looks like. Futurists have their own ideas, but what do customers expect? And, crucially, how will the use of technology affect the onboarding experience? Asking respondents about the future of identity, most saw change as inevitable.

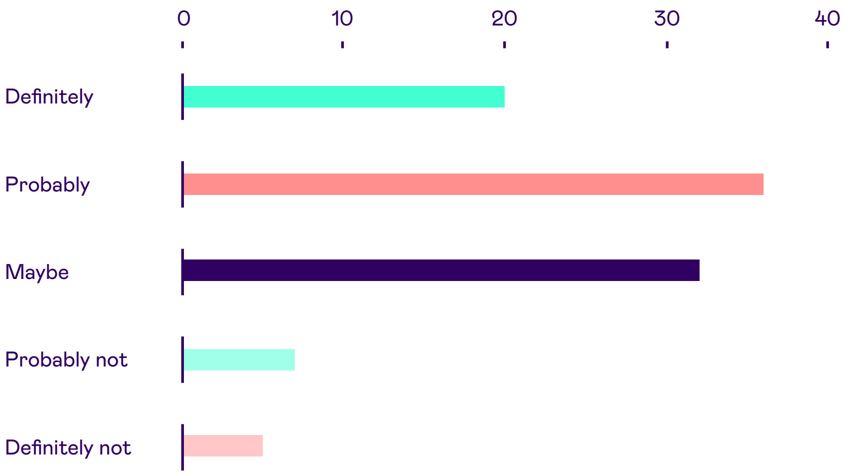
How would you expect the financial product application process to be different in ten years' time?



Familiarity with smartphone biometrics is clearly influencing people's attitudes as to what makes a financial service secure. 44% see fingerprint scans as being the norm, ahead of one click applications that are the second most popular choice. Even more outr suggestions, such as measuring brainwaves and embedded chips, are more popular than basic authentication methods. Consumers are aware providers have some way to go when it comes to authentication and identity, and are willing to entertain unusual ideas.

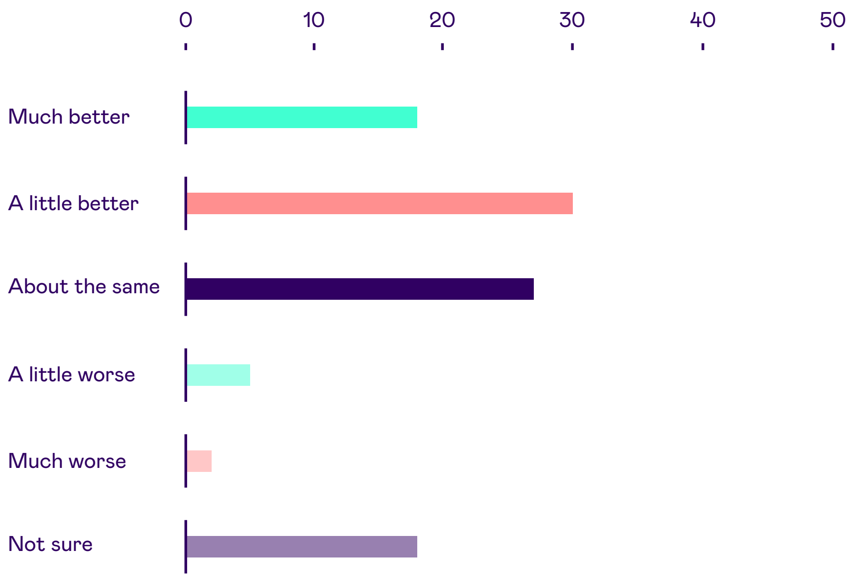
It's undeniable that the majority of people want, and expect, digital identities that they can reuse and that banks have a central role to play in providing them. Over half would expect to use their bank digital ID more widely while only one in ten (12%) say they would not. Where would they expect to use them? Health services and online voting are popular choices, suggesting that people see digital identity as a way to deal with the most private and sensitive of information. Curiously, only 10% would use a digital identity for dating apps, and this is low even if we account for those who are not single (or not looking). There is still a degree of mistrust when it comes to sharing identity digitally in unregulated, mainstream consumer apps, especially where there is a strong desire for anonymity.

Would you use a digital identity/ log-in more if you can use it to register/ access other services?

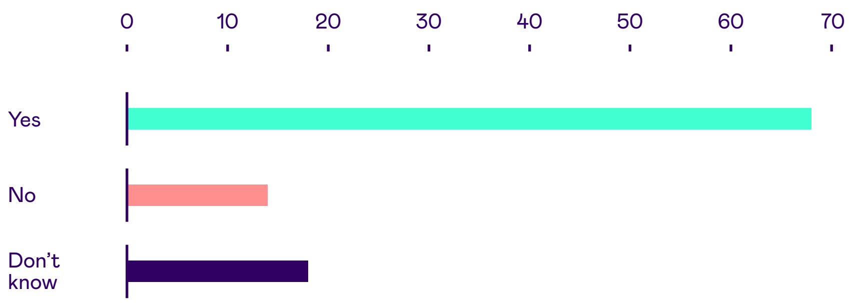


A real bonus of digital IDs is their transportability across borders and brands.

How much easier is applying for a financial product with a reusable, 3rd party secure login—also known as an eID—compared to without?



Do you want a financial service provider to offer you a choice of identification options?



Half of consumers believe it is better to apply for a financial product with a reusable, third party secure login compared to without one, though a fifth are unsure. This suggests a tipping point, with many willing to be convinced of the benefits of digital identity. A high number, 60% also see it as important to be able to use their digital identities to access services internationally across borders.

Much of Europe has made a strong start in this effort. Many of the continent's national digital verification programmes are world-class, including the government-led Belgian programme and bank led Nordic regional effort.

While COVID-19 has restricted the movement of people internationally, this will not last forever. Empowering people with secure cross-border eIDs will become crucial to support increasingly global economies and smart cities and their digital services.

Conclusion

We are seeing the end of "learned helplessness" in onboarding.

Last year's Battle to Onboard saw the "Red Queen" effect in action. Financial service providers were running as fast as they could to keep up with customers, only to stay in the same place as expectations soared. Providers were stuck in the same place, neither moving forward nor backward.

This year's report is far bleaker for financial service providers. Despite continual investment, consumers have report the same level of dissatisfaction with onboarding. Their actions are more telling and suggest they have run out of patience.

Three factors are working together to create this overall effect:

- New mobile-first fintechs are now widely used, and often a first choice rather than a backup. Their onboarding is far better, and other traditional bank providers are simply failing to keep up.
- COVID-19 lockdown has meant that a poor onboarding experience, including a requirement for branch visits, is no longer acceptable.
- Gen Z has become financially active and simply won't tolerate a poor onboarding experience. New to the market, they present high-volume acquisition opportunities and are being courted extensively by new challenger brands with 100% mobile onboarding.

“Learned helplessness” is a state that occurs after a person has experienced a stressful situation repeatedly. They come to believe that they are unable to control or change the situation, so they do not try. Poor onboarding has been so common for so long that consumers for a long time did not realise there were better, lowerstress alternatives, and were willing to accept substandard service.

In 2020, consumers are exactly as dissatisfied as they were in previous years, but fintech has finally cut through. Today consumers are highly aware that they have options. Challenger brands are becoming more established and more visible, particularly the speed and convenience they offer—especially for mobile users.

In response, consumers are taking action when they are unhappy and are abandoning applications more often. We are also seeing greater differences in age cohorts that suggests that Gen Z expectations are having an effect.

The panic over millennials was a red herring— banks and other providers that thought they had already won over younger consumers need to panic now if they want to secure their customer base for the future.

While the outlook is bleak, there is some good news

Banks remain trusted brokers of digital identity. The opportunity to own this space is there if banks are willing to grasp it. People want to use digital identity widely and want to engage with a future of new technology and innovation. However, there are the first signs that this opportunity could be evaporating as younger consumers worry about their data.

As consumers recover from COVID-19 lockdown and move on from “learned helplessness”, banks and other financial service providers should too. They must shake off complacency, recognise the capability gaps and seek to at least level the playing field between their own and challenger brands. That means 100% digital onboarding with frictionless digital identity that puts them at the heart of new digital ecosystems.

The way forward is clear. Just as their customers have learned not to accept the status quo, so should providers. We live in a world of more convenience, better user experiences, changing norms, and new consumers who demand better. The technology to provide better experiences to these consumers exists, and there is no excuse not to make it a critical focus of digital transformation.

About Signicat

Signicat is a pioneering, pan-European digital identity company with an unrivalled track record in the world's most advanced digital identity markets. Its Digital Identity Platform incorporates the most extensive suite of identity verification and authentication systems in the world, all accessible through a single integration point.

The platform supports the full identity journey, from recognition and on-boarding, through login and consent, to making business agreements which stand the test of time. Signicat was founded in 2007 and is headquartered in Trondheim, Norway.

Contact us